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# EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

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Investments making news

## Board Buys Part of Real Estate Giant

In July we completed a deal with the real estate giant Cadillac Fairview that includes purchasing 20% of the company, interest in two malls and a loan secured by

the Toronto-Dominion Centre property in Toronto.

We purchased 20% ownership in Cadillac Fairview for \$200 million and purchased 75% owner-

ship in two shopping malls, Fairview Park in Kitchener and Georgian Mall in Barrie, for a total of \$149 million. We also provided Cadillac with a loan of \$101 million, with Toronto-Dominion Centre property as the primary security.

The deal with Cadillac was 18 months in the making. The company owns interest in many of Canada's high-quality properties, including the Toronto Eaton Centre, the Toronto-Dominion Centre and the Pacific Centre in Vancouver.

Please see page 7

**'HIPs' Hot for Cool Investors**

See page 7 for more investment news



### GERALD BOUEY RETIRES AS BOARD CHAIRPERSON

#### Gavel to go to Ted Medland

After six years at the helm, Gerald Bouey will retire as chairperson of the board at the end of December.

Please see page 4.

### INSIDE THIS ISSUE

- 2 Repayment limits from Revenue Canada
- 3 Separation, divorce and your pension
- 4 Gerald Bouey's distinguished career
- 5 The Board as your pension guardian
- 8 Pension transfers from B.C. and Quebec





## HAVE *Your* SAY...

### ETHICAL INVESTMENT

*You may be good at investing my money, but do you try to make socially responsible investments?*

L.N., Pickering

The pension plan is in the business of providing secure pensions for teachers. Making a good return on investments is how we keep contribution rates stable and ensure teachers are provided with retirement income and related benefits. We also have a responsibility under the Pension Benefits Act to invest the assets in a prudent and diligent manner. Profitability, therefore, is the test we use when deciding where to invest your money.

Obviously a company which is environmentally irresponsible will ultimately suffer consequences

such as law suits, punitive legislation and product boycotts.

Companies which are insensitive to social inequalities, or have antagonistic labour relations, will also eventually pay the price on the bottom line. In the end, indifference to environmental, political and social issues undermines the ability to achieve optimal and lasting profitability.

### CUSTOMER SERVICE

*Teachers do not have much time to call during office hours. The pension plan should be open before school starts, say 8 a.m.*

J.S., Sudbury


We agree. Customer service specialists are available to answer your call from 8 in the morning until 5:30 in the afternoon. What's

the best time to call? We find our phones don't ring as often before 9 and after 4:30.

### SO YOU WANT THE 85 FACTOR?

*Now that the fund seems to be doing so well, when can we expect an 85 factor?*

J.W., Markham

Changes in plan design, such as contribution rates and benefits like the 85 factor, are decided by the Partners' Committee. This committee is independent of the pension plan and has equal representation from the Ontario Teachers' Federation and the Ontario government. The OTF represents teachers in negotiating benefits changes. Please see Partners' Committee, page 6. 


### LET'S HEAR IT!

**If you have a question or concern you'd like us to explore in**

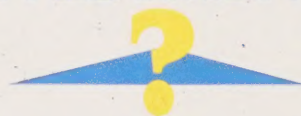
**Exchange, we'd love to hear from you.**

**You can telephone, fax or write John Cappelletti. You'll find the numbers and address on page 8.**


### REPAYING A PENSION REFUND?

**R**evenue Canada now requires that any repayment for service before 1992 be made as a direct transfer from a registered plan such as an RRSP. This may limit your ability to repay a refund. For more information contact your customer service specialist. 

## What are EQUITY INVESTMENTS



**F**or the most part, the word *equity* is synonymous with stocks. The exception is some of the pension plan's more publicized investments. Buying a shopping mall, like Hillcrest in Richmond Hill, or investing in Maple Leaf Foods are both equity investments, although they don't strictly involve buying stocks.

Two-thirds of the pension plan's assets are currently held as equities. The remainder are held as non-negotiable government debentures or bonds. 



*How your pension may be affected by*

## Separation and Divorce

**P**ension benefits are included in the family assets when married couples separate or divorce.

Ontario law requires that you and your spouse tally up family property acquired during your marriage, including the value of your pension, and share the value equally.

### THE VALUE OF YOUR PENSION IS MORE THAN CONTRIBUTIONS PLUS INTEREST

Some teachers mistakenly assume the value of their pension benefits is equivalent to their

◆  
*Your pension money  
cannot be touched  
until you're on pension.*

◆  
contributions plus interest—actually, the present value of your pension may be several times greater.

The value of the pension added to the tally of family property is calculated in two steps. An independent actuary determines the present value of the pension you're expected to receive. Then the actuary determines the por-

tion of the pension acquired while you were married.

#### Example

Catherine was married for 20 years and taught for 30 years

Total pension value is: \$400,000

Pension value accrued while married: approximately \$260,000\*

\* the precise amount will vary depending on the actuarial method used

You'll need to hire an actuary to determine the value of your pension. Your lawyer should be able to recommend one to you. An actuary is an expert in determining the amount of money needed to meet future pension obligations.

### YOUR PENSION MAY NOT BE AFFECTED

If your spouse has a pension of similar value or other assets that balance your pension, your pension may not be affected. However, if there is an imbalance in your favour, your spouse has a legal claim to an equalization payment. In general, you may settle this claim by:

- paying your spouse when you separate, using cash and other assets
- having us pay part of your

monthly pension to your spouse once you retire

It's important to note, your pension money cannot be touched until you're on pension, or you terminate your membership in the pension plan by resigning from teaching.

### SURVIVOR PENSION ELIGIBILITY


If you separate before you go on pension, your spouse is not entitled to a retirement survivor pension. However, if you separate after you go on pension, your spouse is entitled to a survivor pension, even if you eventually remarry.

### CONFIDENTIALITY GUARANTEED

Although we freely provide general information about the pension plan, we will not give out any personal information to your spouse, your lawyer or your spouse's lawyer without your written consent.



Legislation concerning defined pension benefits is a special-

ized area of law. You can assist your lawyer by ensuring he or she has a copy of the information entitled *Conjugal Breakdown* and the memo prepared by our law department entitled *Some Common Questions With Reference to Various Applicable Acts*. Your customer service specialist will be happy to send you a copy. 

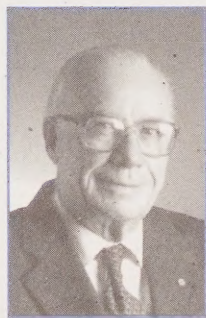


# Bouey's Term Improved Service to Members, Diversified Assets

*What follows is an excerpt from Mr. Bouey's remarks to the OTF Board of Governors in August shortly after he announced his intentions to retire.*

THE PAST SIX YEARS or so have been, to say the least, challenging. This alone has made it all worthwhile for me.

In 1990, new legislation created the Ontario Teachers' Pension Plan Board. We set forth with two basic goals—to



Bouey

improve the quality of pension services and to diversify the plan's assets.

These goals necessitated a transformation to a more dynamic organization. I'm delighted to have played a role during this critical time in the Board's history.

I have watched the fund grow to \$38 billion, the largest invested pension fund in Canada. And I've watched customer service improve so now there's no backlog and members are served better and faster than ever before.

## DIRECTORS HAVE RESPONSIBILITY

The directors have a responsibility to keep a mindful watch over the investments of the fund because teachers have much more to worry about than the management of their pension plan.

The directors also have a responsibility to ensure teachers and pensioners continue to receive an ever improving level of customer service.

My time as chairperson of the Board has passed quickly. I am thankful for having had the opportunity to serve. ■

## GERALD BOUEY'S DISTINGUISHED CAREER

Gerald Keith Bouey began his career in 1936 as a 16-year-old Royal Bank teller in the small south Saskatchewan town of Ogema, near his home town of Trossachs. "We didn't worry much about the possibility of a holdup," says Bouey about his bank teller job during the depths of the Depression, "but we were terrified that someone might actually try to borrow some of the bank's money."

In 1945, following four years of war-time service with the Royal Canadian Air Force, Mr. Bouey attended Queen's University in Kingston. He joined the economic research department of the Bank of Canada after graduating with a degree in economics in 1948.

Twenty-five years later, he had risen through the ranks to become Canada's top banker. Mr. Bouey is the fourth Governor of the Bank of Canada and served from 1973 to 1987.

He was appointed Companion of the Order of Canada in 1987. Mr. Bouey was appointed chairperson of the Ontario Teachers' Pension Plan Board in 1990. ■



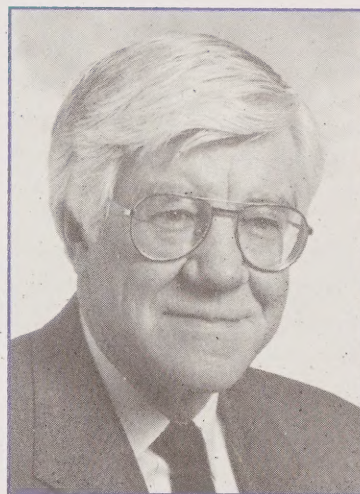
# New Chairperson Brings Continuity and Expertise

**C**harles Edward (Ted) Medland, a director on the Ontario Teachers' Pension Plan Board, replaces Gerald Bouey as chairperson of the board in January.

Ted Medland was born in Toronto. While a student, Mr. Medland worked the summers picking fruit on Niagara district fruit farms and

hauling eight-gallon cans of milk at Clover Meadow Creamery, a small dairy his family owned located near Toronto's College and Dufferin streets.

He studied at the University of Toronto where he graduated with a bachelor of arts degree in 1950.



Medland

He spent his 38-year career in finance at Wood Gundy, where he became chief executive officer in 1972 and chairman and CEO in

1978. Mr. Medland retired from Wood Gundy in July 1988.

"I'm truly honoured to have been asked by both partners to serve as chairperson of the

## THE BOARD PROTECTS INTERESTS OF ALL TEACHERS


**T**he Ontario Teachers' Pension Plan Board has a responsibility to administer the fund in the best interests of present and future members and their survivors.

This duty is vested in a nine-member Board of Directors. Four directors are appointed by the Ontario Teachers' Federation and four directors are appointed by the Ontario government. The ninth member, the chairperson, is jointly appointed.


Day-to-day management is delegated by the Board of Directors to Claude Lamoureux, president and chief executive officer, and his staff.

Responsibilities of the directors include:

- set policy, establish limits and guidelines for investments
- approve investments above specified limits
- set policy to continuously improve levels of customer service
- obtain an actuarial funding valuation at least every three years—this a sophisticated estimate of the variables, such as the plan's rate of return and inflation, and is used to determine contribution rates for teachers and government
- approve salaries and bonuses for staff
- ensure an independent financial audit is done annually

The directors meet 10 times a year. By law, they are required to act independently of the pension plan's sponsors to protect the interest of all members. 

Board," says Mr. Medland. "During the past six years or so, I have watched the Teachers' Pension Plan thrive under Gerald's capable leadership. I hope to bring continuity of experience and expertise to the job."

Mr. Medland has been a director of the Teachers' Pension Plan since 1990, all of that time as chairperson of the Investment Committee. He is also a director of a number of public and private corporations including: Abitibi Price Inc., CT Financial Services Inc., Canadian Tire Corp., Ltd., Quorum Growth Inc., The Seagram Co. Ltd., Teleglobe Canada Inc., The Thomson Corp. and the University of Toronto Foundation. Mr. Medland is the former chairperson of the Investment Dealers Association of Canada and past chairperson and director of Wellesley Hospital Foundation. 

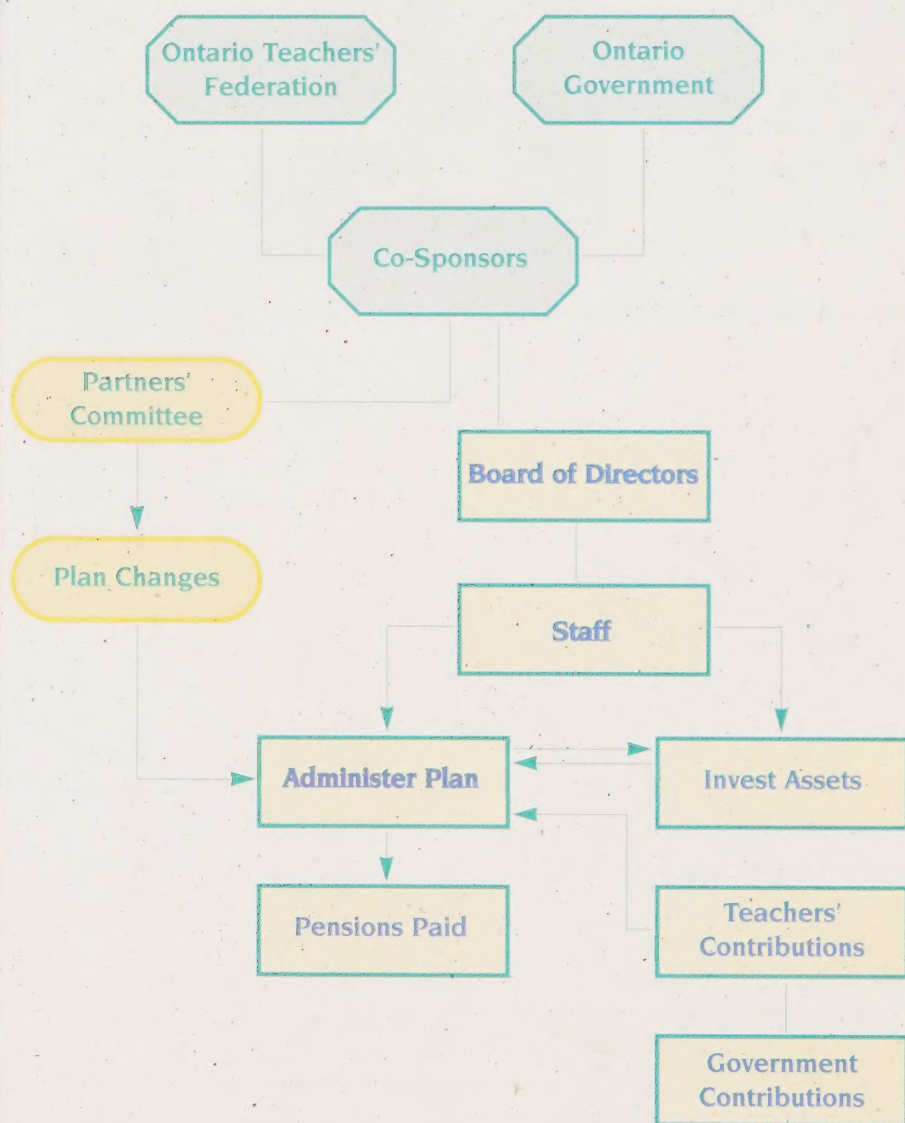


## PARTNERS' COMMITTEE SEPARATE FROM THE BOARD

**U**nder the Partners' Agreement, the six-member Partners' Committee is responsible for changes in plan design such as contribution

rates and changes in benefits. Three members of the committee are from OTF, and three are from the Ontario government. The members of the Partners' Committee are not members of the Board of Directors.

The Ontario Teachers' Pension Plan Board administers the plan and invests its assets. The board cannot change benefits.



*The Board administers the plan and invests its assets.*

*Only the Partners' Committee can change benefits.*

**DUDLEY DOOMSAVER**



“The Government is ripping-off the pension plan—they never pay their fair share.”

### CONSIDER THIS:

The pension plan for Ontario's teachers was created in 1917. Since that time, the Ontario government has matched the contribution of teachers for all but a few years.

As part of the social contract, the government suspended its annual special contribution to the unfunded liability. The special payments are in addition to the matching contributions and are scheduled to resume in August 1996.

From 1990 to 1994 the Ontario government contributed a total of \$4.3 billion, teachers contributed \$3.2 billion.



## Investments making news

### HIPs: A NEW BASKET OF STOCKS FOR INDIVIDUAL INVESTORS TOO

**T**eachers' bought \$52 million worth of TSE 100 participation units. The units are listed on the Toronto Stock Exchange under the name 'HIPs'.

HIPs is a new product. It is a trust set up by the Toronto Stock Exchange (TSE) that has as its underlying asset, the TSE 100. These are 100 well-known companies like Abitibi-Price Inc., Air Canada, BCE Inc., Royal Bank and Magna International.

The initial stock offering went on sale in October and we have acquired over 30% of the 6 million HIPs units issued.

HIPs is a product for both institutional and individual investors so you don't have to be an investment manager with a pension plan to purchase HIPs. Currently, individual units are trading at about \$27. HIPs is also a qualified investment for registered retirement savings plans. If you want exposure to the stock market without the risk of buying an individual stock, or if HIPs fits your portfolio, contact a stock broker.

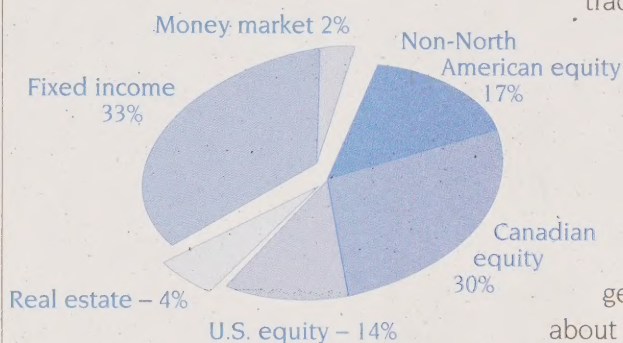
Most of the stocks we buy are well-known companies with good growth records and large assets. Approximately two-thirds of the pension plan's \$38 billion assets are invested in stocks. ■

## Cadillac Fairview Restructured

from page 1

The recent acquisitions increase the total real estate portfolio to \$1.6 billion, or 4% of the plan's assets, which is well within

### ASSET MIX (at September 30, 1995)



the asset target range.

In 1994, the real estate holding earned a rate of return of 5.4%, outperforming the benchmark (the Frank Russell Index) of -1.7%.

### PAINT RETAILERS MERGE

In August, Color Your World Corp. merged with the competition, St. Clair Paint and Wallpaper. We exchanged our investment in Color Your World for 21% of the publicly-traded St. Clair.

The new company, which will continue to be known as St. Clair, operates 450 stores across Canada under the St. Clair and Color Your World banners and generates annual sales of about \$250 million. ■

## FINANCIAL HIGHLIGHTS

	SEPTEMBER 1995	DECEMBER 1994
<b>TOTAL ASSETS</b>	<b>\$38.0 billion</b>	<b>\$35.1 billion</b>
<b>RATE OF RETURN (4 year average)</b>	<b>13.2%</b>	<b>12.7%</b>

## We'll be there

### OTF RETIREMENT PLANNING WORKSHOPS

**Y**ou can plan now and reap later by attending the OTF retirement planning weekend workshop in your area. We'll be there to give you an overview of your pension plan.

For more information, contact your federation or association.

#### 1995-1996

Nov. 17-18	Brantford
Dec. 1-2	Oshawa
Dec. 15-16	Burlington
Jan. 19-20	Metro Toronto
Feb. 9-10	Windsor
March 29-30	Kitchener
April 12-13	Cobourg
April 26-27	Brockville
May 10-11	North Bay



## REAL-LIFE RETIREMENT

The fifth in a series  
featuring retired teachers  
who have found fulfilling  
ways to live out their  
retirement.




*Bill Hamblen and his wife Margot own and operate the 47-acre Hamblen Christmas Tree Farm in Athens, Ontario. Bill retired in 1989, but the family began farming in 1970 on land granted to his United Empire Loyalist ancestors more than 200 years ago.*

## TRANSFERRED FROM B.C. OR QUEBEC?

If you teach in Ontario and previously taught in British Columbia or Quebec, you can now transfer your pension credits to the Ontario Teachers' Pension Plan.

### IT PAYS TO CONSOLIDATE

You'll augment your pension benefits by keeping your pension credits lumped together in one plan. This can mean the option of retiring earlier and with a higher pension.

For more information on how to transfer your pension, contact your customer service specialist. 

### EXCHANGE

is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions. Feel free to call the editor, John Cappelletti, at (416) 730-5351 or 1-800-668-0105 or write to:

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### OFFICE HOURS

Monday to Friday  
8:00 am to 5:30 pm

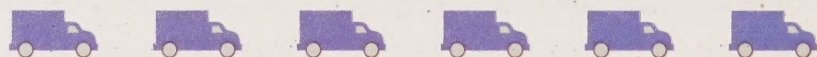
### TELEPHONE

(416) 226-2700 or 1-800-668-0105

The information contained in this newsletter is not intended as advice to be relied upon in relation to any particular circumstance.



ISSN: 1180-3355



## MOVING?

**DON'T FORGET TO SEND  
US YOUR NEW ADDRESS**

All our publications are sent to you at your home address, including information of personal interest to you, such as your annual statement of benefits. If we don't know where you are, we can't reach you!

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